

LOSES IN BATTLE AT NATIONAL TOOL

MAR 4 1938 PLAIN DEALER
Kornhauser Slate Beaten in
Proxy Fight; Detroiters
Put 3 on Board.

Three Detroit men—A. R. Glancy, sr., former General Motors vice president; his son, A. R. Glancy, jr., an officer of the National Bank of Detroit, and their counsel, L. T. Jones—were elected to the board of the National Tool Co. at a stockholders' meeting in the plant at 11200 Madison Avenue N. W. yesterday after a four-hour proxy battle. The Detroiters will represent common stockholders' interests. No change in policy was indicated.

Three Clevelanders were elected to represent preferred stockholders. They were A. G. Simmons, company president; A. J. Hudson, patent attorney, and John S. Fleek, partner of Hayden, Miller & Co.

The directors elected Glancy, sr., chairman; Simmons, president, and Jones, secretary-treasurer.

Jones issued this statement: "The new board contemplates no shift of this company to Detroit or out of Cleveland, nor does it plan to make it a General Motors unit. Present operations and lines will continue."

Stockholders voted a complete audit of the company's accounts by a nationally known firm, and authorized the directors to obtain special counsel if it seemed advisable after the audit. Jones said an efficiency expert would start an inspection immediately with a view to improving operations. No proposal for refinancing was presented to the stockholders, and company officers said none was in hand.

The proxy battle resulted in both W. C. Connelly, chairman and operations director since September, and S. J. Kornhauser, secretary-treasurer and counsel for twenty years, going off the board—Kornhauser after hours of proxy skirmishing, nominating, withdrawing and claiming of proxies, renominating, voting on how to ballot, arguments over inspections of proxies and objections to counts, and Connelly in spite of persistent requests from the floor that he run, huddles, recesses, caucuses and impromptu committee sessions.

The struggle lasted from 10 in the morning straight to 2:30 without respite. It ended with the election protested, Connelly not nominated and Kornhauser out. Kornhauser promised court action to review and test the election "unless they were decent about it."

The proxy battle was the showdown in a long period of friction between Kornhauser and Simmons, company president and designer and patentee of many of the company's products. It began to crystallize when a \$150,000 demand note of the company held by the Union Trust Co. was sold by Liquidator Oscar L. Cox of the Union Trust to Glancy, sr., in Detroit with the proviso that twenty days be given Connelly or other Cleveland interests to take it up. No such interests were found. Connelly said at the meeting yesterday that he had been asked by Glancy, jr., Sunday by telephone to take the note over, and that while he was financially able to do so, he had no desire to control the company.

Attacks Associates.

Two weeks ago Kornhauser, in a pamphlet sent to stockholders along with proxy forms for yesterday's meeting, penned an attack on Simmons as president, Connelly as chairman, and Cox as note-holder. He then urged that Glancy, sr., be made directing head of the company.

He attacked Simmons as arbitrary and as receiving patent royalties on National Tool products through a subsidiary.

Yesterday's meeting disclosed that Kornhauser was receiving an equal amount of the royalties in question with Simmons, and that National Tool Co., as a holder of half the stock in the subsidiary, was receiving as much as Simmons and Kornhauser together. That disclosure precipitated the floor battle with stockholders challenging Kornhauser's position and Connelly defending his record. Cox counseled against any compromise acceptance of Kornhauser's directors' slate, which included Kornhauser's re-election.

Cox made this statement from the floor: "The purchasers of the National Tool note, as we explained to them, assume a moral obligation to carry on with the company as the Union Trust has, and it was so agreed; and the note was sold with the stipulation that there should be a change in the office of secretary-treasurer of the company. It seemed wise to the Union Trust to bear with this company for two years without interest to preserve the company's assets, avoid liquidation and wrecking of the company. Interest payments were resumed last July. This policy was in line with public interest."

"A great injustice has been done the Union Trust in the attack (by Kornhauser) on its conduct in this matter. If the Union Trust can be criticized, it could be only for possibly having been too generous in seeking to keep this company intact. But the 200,000 depositors have been only too glad to bear with it until it got on its feet again."

Simmons reported earnings of the company for the year ended Dec. 1 were about \$62,000 after heavy write-offs on, among things undelivered machinery now obsolete, and \$17,000 in depreciation. The company has made some profit in the last three months, Connelly said. Average monthly employment is 230.

NATIONAL TOOL CO. PUSHES EXPANSION

PLAIN DEALER
Doubling of Plant May Follow

low Current Increases

MAR 26 1942

The National Tool Co., 11200 Madison Avenue N. W., manufacturers of metal cutting tools, is engaged in an expansion program that will enable the concern to increase its output by about 40 per cent., it was disclosed yesterday.

The company is building additions to factory units and about \$500,000 worth of additional machine equipment, provided through the Defense Plant Corp., is being installed, according to Samuel J. Kornhauser, general counsel for the company and chairman of its management committee.

Pointing out that the concern's dollar volume of shipments was more than \$2,700,000 in 1941, Kornhauser said the volume this year was expected to reach about \$3,750,000. Shipment of tools in 1941 was more than double that of 1940.

"Notwithstanding these huge increases," Kornhauser said, "the government is already considering a further request that the present scale of the company's output be doubled. The feasibility of this further enlargement will depend on the available supply of tool steel."

Total Output for War

He added that the total capacity and energy of the 37-year-old concern was being devoted to the war effort, all its products being used directly or indirectly in the production of munitions and equipment required by the army and navy.

"We find that there is an extraordinary lack of understanding, among persons unacquainted with the mechanical arts, as to what is meant by a metal cutting tool," he said, "and what part it plays in the production of a vast variety of articles and devices and appliances used both in war and peace."

"With machine tools, such as lathes, milling machines and gear-cutting machines, the public is generally familiar. But it is also usually believed that the manufacturer of the machine tool also produces and furnishes the cutter, or small tool, through the medium of which the machine tool performs its function. This is not the case."

"The manufacture of these cutting tools is a highly technical and specialized art, which is performed by separate companies, operating expensive equipment, with a highly skilled personnel."

Arthur J. Brandt, who is assisting the government in airplane production, is president of National Tool. L. A. Schmidt is vice president and chief engineer and P. F. Zerkle, vice president and sales manager. R. R. Todd is factory manager and L. M. Prosser, treasurer and office manager.

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DENIES DEFEAT AT NATIONAL TOOL CO.

MAR 5 1935 PLAIN DEALER

Kornhauser Attacks Cox as

'Interfering' in Adminis-
tration of Business.

Samuel J. Kornhauser, secretary-treasurer and counsel for many years of the National Tool Co., yesterday issued this statement concerning the stockholders' meeting Tuesday, at which new directors were selected:

"In this morning's edition of the Cleveland Plain Dealer there appears a report of the proceedings of the shareholders' meeting of the National Tool Co. This story, due to a combination of inaccuracy, error and misleading implications, coupled with the withholding of pertinent facts, conveys an entirely false impression. In the first place, beginning with the headline, the object for which I was striving was not lost but won. In the second place, I had no slate and presented none.

"For a long time I had been convinced that this company, with which I have been connected for twenty years, has been grossly mismanaged. Last Thursday I sent to the shareholders a printed address in which I pointed out the basis for my conclusion that the administration was in the hands of persons fundamentally ill adapted an incapable of conducting the business successfully. I also committed the unforgivable sin of criticizing Mr. Oscar Cox, liquidator of the Union Trust Co., for officiously interfering in the actual administration of a business of which he had only a vague and inadequate understanding solely because the Union Trust Co. was a creditor. I attacked the man who had been placed at the head of the company through Mr. Cox's influence. I was therefore proscribed and condemned to destruction.

Invited Protests.

"I asked any shareholder who desired to voice his protest against what I conceived to be the intolerable conditions which prevailed, to empower me to speak in his behalf. Proxies poured into my office, and letters, telephone calls, urging me to bend every effort to drive out those in control. Instead of receiving a reply to the facts and arguments which I presented, I was met with a campaign of defamation and vilification in an attempt to discredit me.

"Nevertheless, I entered the meeting yesterday morning with a sufficient number of proxies to elect at least one-half of the members of the board. I held proxies for over 11,000 common shares out of approximately 20,000 shares present, and more than one-third of the preferred

shares. My opponents were licked, and they knew it. My fight had been solely to co-operate to the end that the company might have the advantage which the opportunity of gaining the support and capacity of Mr. A. R. Glancy would bring to it.

"At that time an emissary from the other camp came to me with a proposal that all conflict at the meeting could be avoided if I would vote my proxies with theirs for six directors, which included me and two men to represent Mr. Glancy. To this I agreed because it meant the achievement of all that I was striving for on behalf of those whom I represented.

"There was then an explicit understanding that the meeting would be called to order, that the six men stipulated would be nominated, and that all of the proxies held by the contending forces would be voted in favor of each of those six men.

Unanimous Ballot Asked.

"The meeting was opened and the six men were placed in nomination, and only those six men. The chair then called for a motion for a unanimous ballot. Before this could be taken, however, three or four men present could not repress their desire to indulge in oratory, and thus injected into the meeting the very acrimonious recriminations which the compact previously made was intended to avert.

"Among the proxies which I held was one for 1,200 shares which had been given to me by the liquidator of the Union Trust Co. Mr. Oscar Cox, though he was no longer a creditor of the company and though he held a relatively small number of shares of little value, was present at the meeting and now took it upon himself to upset the plans upon which there had been an unequivocal agreement, and to defeat me as a candidate for director.

"He withdrew the proxy for 1,200 shares which had been given me, though his right to do so was challenged on the ground that the proxy had been given under circumstances which made it irrevocable. Though appealed to from all quarters, he refused to yield in his determination to present the consummation of the agreement which had been made, that is, my elimination.

Judges Named.

"Meanwhile Mr. Connelly's personal counsel had been appointed one of the judges of the election with two laymen associates. This lawyer dominated the committee and his rulings were accepted as law. He now undertook to exclude 315 of my proxies without any valid legal ground. In pursuance of Mr. Cox's purpose to defeat me, a seventh candidate was then placed in nomination.

"I had, previous to the meeting, duly given statutory notice that I would exercise the privilege of cumulating my votes. This was announced just as soon as it became evident that there would be a contest in the election of the board and before any vote was taken. Yet on the advice of the lawyer member of the committee of election judges, it was ruled that I did not have

a right to cumulate my votes. It is scarcely conceivable that there can be found any lawyers familiar with corporation affairs who will not agree that this ruling was not only grossly unfair but that it is entirely at variance with the law.

"When the vote was taken I cumulated my votes and elected two directors, Mr. Karl Kendig, representing the preferred shares, and myself the common shares. Even excluding the 1,200 shares which Mr. Cox withdrew and the 315 which were illegally thrown out, I had an ample number through cumulation to elect two directors. Some 30,000 shares were thus cast for me as against about 11,000 for any other director.

"There is no question whatever that Mr. Kendig and I were duly elected to the board, and that the scheme to discredit me by an apparent defeat is a futile effort by those who perpetrated it, as will unquestionably appear as soon as this matter is brought before the courts.

Denies Receiving Royalties.

"The statement that I was receiving any part of royalties paid to Mr. Simmons is false and is one of the scurrilous attempts to impugn my character in retaliation for the criticism which I made of the management and of Mr. Cox. An opportunity will be given to clear the atmosphere on these subjects in another tribunal. The pious solicitude of Mr. Cox for his 200,000 depositors does not ring true when we consider that he refused to accept \$150,000, the full par value of the obligation he held against the National Tool Co., without making conditions for the benefit of those who opposed me.

"It thus appears that the alleged triumph of Mr. Cox and those associated in their attempt to destroy me is entirely spurious. Many may look upon Mr. Cox as he appears to conceive himself, as God Almighty, but I refuse to be intimidated by him."

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